

HEALTH CARE COVERAGE REQUIREMENTS. REFERENDUM.

OFFICIAL TITLE AND SUMMARY

Prepared by the Attorney General

Health Care Coverage Requirements. Referendum.

A “Yes” vote approves, and a “No” vote rejects legislation that:

- Provides for individual and dependent health care coverage for employees, as specified, working for large and medium employers;
- Requires that employers pay at least 80% of coverage cost; maximum 20% employee contribution;
- Requires employers to pay for health coverage or pay fee to medical insurance board that purchases primarily private health coverage;
- Applies to employers with 200 or more employees beginning 1/1/06;
- Applies to employers with 50 to 199 employees beginning 1/1/07. Applies to employers with 20 to 49 employees if tax credit enacted.

Summary of Legislative Analyst’s Estimate of Net State and Local Government Fiscal Impact:

- Expenditures fully offset by fee revenues paid mainly by employers, which could range from tens of millions to hundreds of millions of dollars annually, to fund a new state program primarily to purchase private health insurance coverage.
- Reduction in county health program costs potentially in the low hundreds of millions of dollars annually.
- Uncertain net fiscal impact on state-supported health programs.
- Increased costs potentially in the low hundreds of millions of dollars annually for state and local public agencies to provide additional health coverage for their employees.
- Net reduction in state tax revenues potentially in the low hundreds of millions of dollars.
- In summary, unknown net savings or costs to state and local government.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Health Coverage in California

A majority of Californians under age 65 receive health insurance through their employer or the employer of a family member. Most Californians age 65 and over are covered by the federal Medicare Program. Others purchase health insurance for themselves. Many individuals receiving coverage share in the cost of the premiums paid for their health insurance.

Many low-income persons obtain health care services through the Medi-Cal Program, the Healthy Families Program, or other public programs operated by the state and county governments. Medi-Cal is administered by the state Department of Health Services (DHS), while the Healthy Families Program is administered by the state Managed Risk Medical Insurance Board (MRMIB). However, based upon a 2001 survey, an estimated 6.3 million nonelderly Californians lacked health coverage at some point during the year. These individuals are likely to receive medical assistance from county indigent health care programs or through the charitable activities of health care providers or pay for it themselves. Surveys indicate that of the nonelderly uninsured individuals, more than four out of five are either employed or are family members of someone who is working.

Some of the medical costs incurred by uninsured persons are indirectly shifted by health care providers to others who have health coverage, in effect adding to the cost of their health insurance. There are also indications that the number of employees who are uninsured may be adding to the costs of workers’ compensation insurance, which includes medical coverage for on-the-job injuries.

Recent Legislation

In 2003, the Legislature approved and the Governor signed Senate Bill 2 (Chapter 673) to expand health insurance coverage beginning in 2006 for employees of certain employers and, in some cases, their dependents. The law also established a program to assist lower-income employees with paying their share of health care premiums.

The new law would have gone into effect January 1, 2004. However, Proposition 72, a referendum on this new law, subsequently qualified for the statewide ballot. As a result, SB 2 was put “on hold” and will take effect only if Proposition 72 is approved by the voters at the November 2004 election.

PROPOSAL

If approved, this proposition would allow the provisions of SB 2 to go into effect. Health care researchers have estimated that the provisions of SB 2 could eventually